In the Supreme Court
OF THE
United States

OCTOBER TERM, 1944

No.

BAKER OIL TOOLS, INC. (a corporation),
REUBEN C. BAKER and T. SUTTER,
Petitioners,

vs.

ERD V. CROWELL,
Respondent.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

OPINION OF THE COURT BELOW.

The opinion of the Circuit Court of Appeals in the instant case is found in R. 139. The Findings of Fact and Conclusions of Law entered by the District Court are at R. 117. The Opinion of the District Court appears at R. 110.

JURISDICTION OF THIS COURT.

The jurisdiction of this Court is invoked under Section 240 (a) of the Judicial Code as amended by the act of February 13, 1925; 28 USCA, Sec. 347 (a). The date of the decree sought to be reviewed is June 30, 1944 (R. 149), but the petition for rehearing was not denied until August 4, 1944 (R. 150), and this petition is filed within three months thereafter (28 USCA 350; R.S. Sec. 1008 as amended, Sec. 6 act of September 6, 1916, 39 Stat. 727). The discretionary power of this Court to grant a Writ of Certiorari is invoked upon the grounds set forth in Rule 38, subdivision 5 (b) of the rules of this Court.

STATEMENT OF FACTS.

This is a suit brought by respondent under the patent laws of the United States and under Sec. 274d, as amended, of the Judicial Code (Federal Declaratory Judgments Act, Title 28, Sec. 400, FCA), praying a declaration that petitioners' Letters Patent No. 1,748,007 (R. 103) is invalid.

After the filing of the complaint (R. 2) and the answer (R. 22) in the District Court, petitioners under Rule 56 Federal Rules of Civil Procedure moved (R. 60) for summary judgment of dismissal of the action on the ground that there was no actual, real or substantial controversy between the parties of sufficient immediacy and reality within the meaning of Sec. 274d, as amended, of the Judicial Code (Federal Declaratory Judgments Act, Title 28, Sec.

400, FCA) to vest jurisdiction in the District Court to determine the matter. The motion was granted on that ground (Opinion R. 110) and a judgment (R. 123) was entered pursuant thereto. From this judgment respondent appealed. The Circuit Court of Appeals reversed the judgment.

The facts on which the suit is based are undisputed. Respondent admitted in his deposition (R. 47) that he had made but two infringing devices prior to his instituting the suit; and the District Court found as fact (R. 118) that he was not a manufacturer, had no customers, employees or salesmen, *and had no facilities for manufacturing.* The District Court further found that respondent *was not engaged in manufacturing the patented devices.*

As to a present and existing controversy, respondent admits (R. 37) that petitioners have not called his attention to the patent as to the two infringing acts alleged, or threatened him with suit therefor, but on the contrary respondent states that he believes that the petitioners have no intention of asserting any rights under this patent for those specific acts. Respondent states (R. 98):

> "I am quite ready to believe that defendants never had, and do not have, any intention of prosecuting me for the small amount of four or five (his deposition R. 47 says 2) infringing devices which I have made prior to the institution of this suit." (Insert ours.)

Despite the above, the Circuit Court of Appeals to raise a fictitious present "actual controversy" points

to a prior totally different infringement action filed against respondent in 1936 by petitioner Baker Oil Tools, Inc. In that suit three patents were relied upon, including the one at bar. The latter and one other were withdrawn from the suit without prejudice prior to the entry of a final decree and the issuance of a permanent injunction in the year 1939 in said suit against respondent. The Circuit Court of Appeals relied upon the bringing of that suit as a present or existing threat of suit as follows (R. 142):

> "Insofar as a claim of infringement by the patentee may be necessary to make an actual controversy, we hold that there was such a claim at least up to the dismissal without prejudice of the suit against appellant on January 20, 1939, less than four years before the filing of the complaint in the instant suit."

The suit referred to by the Circuit Court of Appeals is the one referred to above, and the matter there litigated is *res adjudicata* as between the parties.

As to the future, respondent asserts under oath (R. 98) that *if he succeeds in successfully competing in the manufacture and sale of the device,* he believes petitioners will in the future bring suit for infringement. Respondent's statement (R. 98):

> "that if I succeed in successfully competing in the manufacture and sale of said devices and have built up large potential damages that said defendant Baker Oil Tools, Inc., will institute such suit."

The Circuit Court of Appeals recognizes this potential future jeopardy as a proper basis for a declaratory suit under the act by stating (R. 143):

> "The purposes of that act are best served if a four-time infringer or a one-time infringer intending to challenge the validity of the patent, does not commit the economic waste of building or engaging another to build a plant to manufacture the alleged patented device before having determined the validity of the patent."

SPECIFICATION OF ERROR.

The Circuit Court of Appeals erred in disregarding the applicable decisions of this Court by so construing Sec. 274d, as amended, of the Judicial Code (Federal Declaratory Judgments Act, Title 28, Sec. 400, FCA) as to give a United States District Court jurisdiction of an action to determine the validity of a Letters Patent of the United States, where the controversy is not a present one but purely potential, and a judgment, if rendered, would be advisory only and would merely determine an assumed potential controversy between the parties.

ARGUMENT.

THERE IS NO PRESENT AND EXISTING CONTROVERSY BETWEEN THE PARTIES.

Although the respondent has alleged the making of two devices (R. 47) which would infringe the patent, if valid, he states under oath (R. 98):

> "I am quite ready to believe that defendants never had, and do not have, any intention of prosecuting me for the small amount of four or five (his deposition R. 47 says 2) infringing devices which I have made prior to the institution of this suit." (Insert ours.)

The above statement of respondent, coupled with the finding of fact of the District Court that respondent is not engaged in the manufacture and sale of the devices (R. 118) and has no facilities for so doing, clearly shows the lack of a presently existing controversy. Certainly, it does not make out a state of fact indicating "imminent" and "inevitable" litigation.

In construing declaratory judgment statutes the great weight of authority is to the effect that the facts upon which a legal decision is demanded must have accrued, for the principle of a declaratory judgment is that it declares the existing law on an existing state of facts. (*Ashwander v. Tennessee Valley Authority,* 297 U. S. 288, 56 S. Ct. 466, 80 L.ed. 688.) The danger or dilemma of the plaintiff must be present, not contingent on the happening of hypothetical future events and the threat to his position must be actual and genuine and not merely possible or remote. Thus, as to the facts at the time of the suit at bar, the respondent was in no present jeopardy or fear of present litigation, but merely in fear of some potential litigation in the distant future. Respondent's own sworn statement (R. 98) as above totally refutes the Circuit Court of Appeals holding that there is a present and actual controversy.

In fact respondent's own statement confirms that the declaration is requested on a potential and assumed controversy. At R. 98 respondent states:

> "but I do not doubt for a moment that after I have continued, until near the end of the term of said Letters Patent, and defendants have nothing to lose by an infringement suit, that *if* I succeed in successfully competing in the manufacture and sale of said devices and have built up large potential damages that said defendant Baker Oil Tools, Inc., will institute such suit." (Italics ours.)

Thus, the real state of fact depended upon to raise a justiciable controversy is based upon an assumed potential condition; i.e. *if* the respondent engages in the business of the patented devices and *if* he succeeds in successfully competing in that business, and a further assumption that in such event the patent owner will assert the patent against respondent.

The real reason for the suit is palpably clear, and it is that respondent wishes an advisory opinion as to the validity of the patent, so that if the Court declares it invalid, he may decide whether or not to enter the business of making the devices. The making of the two simple devices prior to the institution of the suit was obviously either experimental or an attempt to raise a colorable present issue.

Petitioners, therefore, contend that the respondent does not have sufficient legal, pecuniary or personal interest to institute a proceeding which is worthy of judicial relief. He does not contend that he or his

business is in present jeopardy. The facts clearly show that the potential conflict is not sufficiently complete, mature, approximate or ripe to warrant the grant of judicial relief. The interest of the respondent must be present and not contingent. (*Ashwander v. Tennessee Valley Authority* (supra), 297 U. S. 288, 56 S. Ct. 466, 80 L.ed. 688.)

DIRECT CONFLICT BETWEEN THIS CASE AND THE CASE OF ASHWANDER v. TENNESSEE VALLEY AUTHORITY, 297 U. S. 288 (SUPRA).

In the case at bar the Circuit Court of Appeals holds that one who is not in the business of the patented devices and has no facilities for manfacturing a patented device can challenge the validity of a patent by simply making one of the devices and alleging that the same infringes the patent. The Circuit Court of Appeals holds that one can rely upon the statutory notice as a threat of an infringement suit and thus create a "controversy", provided that the challenger alleges some intent or desire of entering in the future in the business of manufacturing or having manufactured such patented devices. The decisive ruling of the Circuit Court of Appeals on this point is at R. 143 and is as follows:

> "Appellant's making of the several infringing devices and his intent to cause the production of more, evidenced by his understanding with a friendly company to supply him with the necessary material, are sufficient to invoke the right to sue the patent owner under the declaratory judg-

ment act. The purposes of that act are best served if a four-time infringer or a one-time infringer intending to challenge the validity of the patent does not commit the economic waste of building or engaging another to build a plant to manufacture the alleged patented device before having determined the validity of the patent."

From respondent's own statement (R. 98), he is in no fear of litigation for his past acts, but is merely in fear that a suit may be brought against him, *if he successfully engages in the business of the patented device sometime in the future,* at which time he believes he will be sued for infringement. Thus, the conclusion is inescapable that what respondent actually desires from the Court, and what the Circuit Court of Appeals believes he is entitled to, is an advisory opinion as to the validity of the patent so that he can decide whether or not he wishes to go into the business of manufacturing the patented device.

This decision by the Circuit Court of Appeals is in direct conflict with many cases decided by this Court to the end that judicial power does not extend to the giving of advisory opinions or to the determination of abstract questions and claims based upon merely assumed potential invasions of rights.

Waite v. Dowley, 94 U. S. 527, 24 L. ed. 181;
Richmond F. & P. R. Co. v. Louisa R. Co., 54 U. S. 71, 13 How. 71, 14 L. ed. 55;
St. Pierre v. United States, 319 U. S. 41, 63 S. Ct. 910;

United States v. Appalachian Electric Power Co., 311 U. S. 377, 61 S. Ct. 291, 85 L. ed. 243;

Arizona v. California, 283 U. S. 423, 51 S. Ct. 522, 75 L. ed. 1154;

Ashwander v. Tennessee Valley Authority (supra), 297 U. S. 288, 56 S. Ct. 466, 80 L. ed. 688.

CONFUSION BETWEEN THE CIRCUITS WILL UNDOUBTEDLY ARISE IF THIS COURT DOES NOT EXERCISE ITS SUPERVISORY POWER IN THIS CASE.

This Court has not specifically passed upon the exact legal question of what legal interest a member of the public must have before he may come into Court and challenge the validity of a United States Letters Patent. In principle, however, it has decided this question on the basis of advisory opinions and rendering an opinion on assumed potential invasion of rights, and the instant decision by the Circuit Court of Appeals is in direct conflict with those latter decisions by this Court.

The underlying change in the law by the adoption of the declaratory judgments act was procedural only and it had a beneficial effect as far as patents were concerned. Manufacturers and dealers producing and selling devices somewhat like a patented one did, prior to the adoption of the act, occasionally meet with difficulty. The patentee could, without bringing suit, publicly claim infringement and threaten to sue the competitor, with no opportunity on the part

of the competitor to submit the matter for judicial decision unless the patentee might decide to bring an infringement action. However, it does not seem that Congress had intended to substitute one evil for another. If the Circuit Court of Appeals decision in the instant case is permitted to stand as law, any member of the public, by making one of the patented devices and without necessarily having any intention, means or facilities for producing more or even entering into the business, can challenge the validity of a patentee's patent and compel him to litigate it regardless of the absence of an actual or substantial controversy. This would certainly result in the Courts giving advisory opinions as to the validity of patents.

CONCLUSION.

We respectfully submit that the decisive ruling of the Circuit Court of Appeals in the instant case is in direct conflict with applicable decisions of this Court; that this question is a Federal question of considerable importance with regard to the patent laws of the United States, and with regard to Sec. 274d, as amended, of the Judicial Code (Federal Declaratory Judgments Act, Title 28, Sec. 400, FCA); and that because of the conflict and the importance of the question, the instant case is one calling for the exercise of the supervisory powers of this Court to grant a Writ of Certiorari under Rule 38, subdivision 5(b) of the rules of this Court, and the petitioners, therefore, respectfully pray that a Writ of Certiorari be

granted so that this Court may review the decision of the Circuit Court of Appeals for the Ninth Circuit and finally reverse it.

Dated, Oakland, California,
August 28, 1944.

Respectfully submitted,
ALAN W. DAVIDSON,
Attorney for Petitioners.

OSCAR ALVIN MELLIN,
Of Counsel.